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FCM

Federation of Canadian Municipalities

Fédération canadienne des municipalités

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SUBMISSION FROM THE

FEDERATION OF CANADIAN MUNICIPALITIES

TO THE

ROYAL COMMISSION ON THE ECONOMIC UNION

AND

DEVELOPMENT PROSPECTS FOR CANADA

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TO THE
ROYAL COMMISSION ON THE ECONOMIC UNION AND DEVELOPMENT PROSPECTS
FOR CANADA

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FCM

October 31, 1983

The Honourable Donald Macdonald
Chairman
Royal Commission on the Economic Union
and Development Prospects for Canada

Dear Mr. Macdonald:

The Federation of Canadian Municipalities welcomes the opportunity to outline to the Royal Commission on the Economic Union and Development Prospects for Canada a number of the major concerns of local governments regarding their role in Canada's future, and trusts that the themes presented here will be elaborated in further discussions with the Commission.

The Federation traces its origins to the Union of Canadian Municipalities organized at the turn-of-the-century by elected municipal officials who recognized that their common interests might best be served by some form of association. During the acute social dislocation of the thirties, the Dominion Conference of Mayors strongly urged establishment of comprehensive federal welfare and unemployment insurance programs, a request to which the Government of Canada responded positively.

In 1937 the first Annual Conference of the Canadian Federation of Mayors and Municipalities was held in Ottawa. The CFMM joined together the two aforementioned organizations. Today, the FCM unites in one organization municipalities and provincial and territorial municipal associations representing over 90 per cent of Canada's urban population and nearly the same percentage of the country's total population.

As the Federation approaches the fiftieth anniversary of its founding conference, the aim of serving its members' common interests, particularly by enhancing the position of local government in the Canadian federal system, remains paramount. But because of the radical changes that have taken place in society generally and within local governments themselves, new ways both of defining and of achieving these aims are being sought continually by the Federation's members.

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Among the concerns to which municipalities are paying increasing attention today is that of forging new partnerships for local government with the federal and provincial governments, as well as with the private and non-profit sectors and with academic, business and labour leaders.

As society becomes ever more complex, it is imperative that all orders of government seek new and more effective ways of ensuring that the interests of Canadians and of Canada as a whole are well-served by its institutions. It is with this concern in mind that the Federation of Canadian Municipalities is pleased to provide the Commission with the municipal view of Canada's development prospects and the means by which local government can play its part in their fulfillment.

Yours sincerely,

E.J. (Ted) Brady
President of the FCM and
Mayor of the Town of Carlyle

EJB:es

EXECUTIVE SUMMARY AND RECOMMENDATIONS

As the national representative of the order of government most immediately in touch with people's daily lives, the Federation of Canadian Municipalities wishes first to point out that municipalities are extremely sensitive to the social dislocation and human suffering caused by today's worldwide economic upheaval. The promise Canada has traditionally held out for unmatched prosperity as a nation and for its citizens is being called into question. As a consequence, the future of the Canadian federation is in jeopardy.

We recognize that our economic difficulties and uncertainty about the future are in large part a function of basic structural changes in the nature of demands for resources, products and services, and in the means of their extraction, production and distribution.

Successfully adapting to the requirements imposed by these changes so as to ensure that Canadians continue to enjoy a high standard of living, return to higher levels of employment and achieve the aim of equal access to opportunity and to a range of services presents all of us with a major challenge.

In the view of the municipal order of government, this challenge can only be met by a massive cooperative effort. Opportunities must be clearly identified and their fulfillment carefully nurtured.

This cannot be done exclusively by one economic sector or by one order of government. Municipal governments have a significant role to play in this cooperative effort. We believe that a Canada in which municipal capabilities were more greatly emphasized would be one in which the well-being of all Canadians would be enhanced.

It is imperative that municipalities, long viewed as the step-children of Confederation, be accorded the opportunity to contribute to Canadian society to their fullest potential. Their role and and responsibilities must be redefined so as to reflect the demands made on them by the public and their ability and willingness to meet these demands. Public sector partnership should be a clear goal and the structures needed to establish such a partnership should be put in place.

In presenting the municipal view of Canada's future, our submission looks first at the role municipal government plays in the lives of individuals and as a major contributor to the national economy. The essential services municipalities provide are often taken for granted. Yet without them, there would be no trade, commerce or industry.

In addition to their direct support of local economic activity and to the employment their operation and maintenance require, construction of municipal facilities creates jobs throughout the nation's economy. Total municipal expenditures, amounting to almost $33 billion in 1982, represent over 9 per cent of the nation's gross national expenditure.

The annual municipal procurement budget, conservatively estimated at $7.5 billion, is 25 per cent greater than that of the federal government. Without counting seasonal employees or those employed by municipal enterprises, utilities or local school authorities, the municipal work force of some 287,000 accounts for almost 25 per cent of all public sector employees in Canada.

The effective delivery of a multitude of costly and complex services has required that both appointed and elected municipal officials become well-versed in national issues. Yet while local governments are increasingly extending their understanding of national issues, and while their decisions are increasingly affecting the national economic picture, there is a pervasive sense that knowledge of local conditions does not seem to have flowed as smoothly to the national level.

Municipal infrastructure is not just a local issue, any more than international trade is just a national one. The success of national and provincial goals for economic development is in direct proportion to the quality and extent of services municipalities are able to provide.

The submission then briefly reviews where municipalities have been in the past, pointing out that we seem to be coming full circle: from a time when locally-based institutions bore responsibility for all aspects of daily life, to one in which the capacity to fulfill this role had been eroded and therefore largely removed to other orders of government, to one in which people are again viewing local governments and institutions as the most direct and accessible outlet for their most pressing concerns.

This trend is seen as continuing. Decentralization and a growing demand for public participation will be reinforced by predictable demographic changes that place increased burdens on municipalities to provide new health care and transportation services, and to meet new requirements for housing, recreation and education. The flexibility, accessibility and accountability that characterize today's local governments will gain importance in the future.

Turning next to the ways in which municipal officials can effectively marry today's social and political trends with their own expertise in order to contribute responsibly to Canada's economic union, the submission examines several municipal economic development strategies.

Municipal officials' precise knowledge of local conditions puts them in an excellent position to identify specific economic challenges

and opportunities within their own communities, while the expertise they have amassed in fulfilling their responsibilities to deliver essential services provides them with the skills to meet and exploit such challenges advantageously. As well, their familiarity with small business requirements and capabilities provides them with a good foundation for establishing contacts abroad that can open new markets.

We point out, too, that increased self-help among municipalities is evidenced in the purchasing co-ops prevalent on the prairies and now beginning to emerge elsewhere. Municipal ties to one another are being strengthened as well through rapidly expanding membership in both the provincial and territorial municipal associations and in the Federation of Canadian Municipalities. "Horizontal linkages" are also being forged by the nation's big cities through the FCM.

We believe that the principles underlying the actions being taken by communities to work together and to deal with their own economic futures by identifying options, developing concensus and pursuing priorities can serve as a model for the provincial and federal orders of government.

In turning next to an appraisal of the prospects for municipal success in these efforts to contribute responsibly to the nation's economic union, we must concede that there are numerous reasons for fearing they will fail.

To put it bluntly, municipalities find that the gap between what they are called upon to do and the tools they have been provided with to discharge these responsiblities is growing insurmountably.

If Canada is to have grounds for entering the 21st century as optimistically as it did the 20th, this gap must be narrowed. With this aim in mind, we are providing the following suggestions and recommendations along with a synopsis of the concerns they address.

Lack of A Sense of Direction

Municipalities, like individual Canadians, need a larger context or framework in which to operate. Numerous municipal submissions refer to there being a lack of leadership at the national and provincial levels, to a vaccuum, to the need for a yardstick, for benchmarks.

There is a widespread sense, too, that as a nation, we have been shoring up our weaknesses and undermining our strengths. A truly coherent, effective federal approach to economic growth and development would seek to foster the diversity and variety that are among our greatest strengths. Clearly these concerns are not limited to municipal officials, or this Commission would not have been created.

The reaffirmation of such basic principles as commitment to sustained economic progress, to a reduction of economic and fiscal disparities between regions and to a fair distribution of the advantages and burdens of national development is necessary but not sufficient.

Lack of Cohesion

As the first order of government, municipalities are the unwilling witnesses to a spectacle of political wrangling among central governments. From the local point of view, these open hostilities are the single greatest obstacle to a healthy economic future for Canada.

- It is simplistic to recommend merely that a halt be called to this warfare, its origins are too deeply imbedded in our nation's history and traditions. Nonetheless, a ceasefire is in order. The will and means must be found to alter present institutions and relationships to better accommodate divergent views.

- All governments in Canada must come to recognize that they each serve the same public. Only by doing so can public confidence in government be re-established.

Lack of Cooperation

Like civilians caught in warring factions' crossfire, municipalities are among the victims. At present they have difficulty making their own needs or those of their consituents known so intense is the pre-occupation of the central governments with one another.

One does not need to look to Japan, but only to apply home-grown common sense, to recognize that we are in the midst of an historical period in which we will prosper only if there is some degree of cooperation among the various participants.

The appearance of cooperation is perhaps even more important among different orders of government than between the labour, private and non-profit sectors. Talk of the need for these groups to work more closely together to increase productivity and meet the challenges of the future rings hollow coming from governments that cannot themselves cooperate.

- To both preserve the diversity of Canadian life and enhance our ability to achieve common purposes, public sector partnership among all orders of governments should be a clear aim. Emphasis must be placed on developing forms of intergovernmental cooperation. This may or may not entail constitutional changes.

- It is essential that all three orders of government work together to strengthen the economic environment while continuing to foster a diverse social and cultural climate. This requires that the process of both public policy development and of public spending change gears. A concerted effort must be made to capitalize on the capabilities and contributions of each order of government.

- In terms of the municipal role in this partnership, we suggest that it be based on existing skills and strengths. The considerable experience amassed by local governments in administering programs developed by other governments has not to date been harnessed to economic development in any constructive or imaginative way. Nor has their ability to respond quickly to the demands of their constituents been used to its full effect.

- To venture into new relationships and to take on new responsibilities require a willingness on the part of governments to relinquish some of their cherished prerogatives and to forswear some of their more hackneyed rhetorical stances.

Lack of Consultation

It is all too commonly the practice to exclude municipal governments from the decision-making process used to determine central government policy and program priorities.

In neglecting to take locally-identified needs into account, the federal and provincial governments are selling Canadians short. Failure to prevent deterioration of existing housing, roads, sewers and other essential municipal systems will result in costly repairs. Failure to ensure that such facilities are adequate to meet the service requirements that will accompany expanded growth will result in a curtailing of that growth.

The reason often given for the failure to consult with local governments is that there is no constitutional basis for doing so. As "creatures of the provinces", they lack the mandate to participate in policy or program design. But the absence of consultation with respect to the programs they are responsible for delivering need not be seen as a constitutional issue. Rather, it is a question of good management.

Lack of consultation makes it very difficult for local governments to deal effectively with today's diverse problems or to plan logically to meet future requirements. It simply does not make sense to split the policy making, program design and implementation phases of government activities in this fashion.

- The consultative role played by the Federation of Canadian Municipalities should continue to expand.

. In looking at the recommendations below concerning alternative institutional arrangements, we ask that the Commission keep in mind that more efficient management is one of the chief aims of our requests.

Lack of Information

One of the most peculiar aspects of the failure of the provincial and federal governments to resolve their differences or acknowledge local governments as governments is in the resulting absence of national information about municipal and regional affairs.

Improved relationships among governments, as well as the success of initiatives pursued by individual governments, are dependent on adequate information. The demise of the Ministry of State for Urban Affairs when it was only just beginning to acquire the ability to inject the municipal dimension into policy and program development was extremely detrimental to our ability to wisely establish national goals and priorities. It is genuinely amazing -- and, as far as we can determine, unprecedented in the Western world — that such an agency does not exist.

. We recommend creation of an agency charged with undertaking primary research concerning the Canada-wide municipal and regional urban scene, and with analyzing and disseminating the information obtained so that it can be taken into account in policy decisions made by all orders of government.

Lack of Appropriate Instruments

In our view, the root of many of these problems lies in the inability of our institutions to accommodate Canada's changing needs.

Municipalities have repeatedly sought sufficient fiscal autonomy through access to sources of revenue other than the property tax to finance the demands made on them; sufficient legislative autonomy to permit decision-making in areas exclusively of local concern and to revitalize their own institutions, structures and practices to render them more in keeping with their growing responsibilities. Despite these efforts, they have gained little ground.

Today's arrangements are becoming increasingly outmoded. At a time when capital expenditures must be made both to provide jobs and to provide the infrastructure needed to sustain economic recovery, funds for both construction and maintenance are being cut due to high real interest rates, reduced transfer payments and a diminishing tax base. Far from being able to deal with the new demands being made on them, municipalities are finding themselves hard pressed to fulfill their mandated responsibilities.

With 25 cities having a larger population than the smallest province, central governments can no longer be seen as the only ones capable of providing all Canadians with equal access to services and opportunities. The critical mass needed to provide the economy of scale such access requires is no longer absent from the local scene. Moreover, economies of scale can now be recognized as having a downside: there are diseconomies to scale as well. It is unlikely, for instance, that any local government could succeed in pumping the per capita equivalent of $1.5 billion into an airplane that has yet to find a market.

We suggest that the time has come to recognize that economies of scale vary from function to function. While concerns like unemployment, the aging population and technological change may be universal, the particular problems each raises for individual Canadians vary depending on where they live. Solutions appropriate to one locale may be totally inappropriate for others.

Responsibilities, and the resources to fulfill those responsibilities should be allocated among Canada's three orders of government to take this into account. At present, the system of dividing responsibility for categories of activities between the federal and provincial governments breaks down at the municipal level to which specific activities, rather than categories, have been allocated.

- As a first step towards reordering and restructuring the roles and relationships of Canada's three orders of government, we recommend establishment of a Ministry of State for Intergovernmental Affairs with a clear mandate to work with and formalize communications among the federal, provincial and local governments.

- The role of municipal government must be re-examined. Necessary revisions must be agreed upon by all orders of government and be clear to the general public.

- To exploit the capabilities of local governments and to build on what they have to offer, it is imperative that they be accorded the fiscal and legislative tools needed to do their job. We recommend simplification of the fiscal system to reduce bureaucracy and to accord with the aim of having the government that spends be the government that taxes. The possibilities of using revenue sharing and a municipal income tax as financial tools should also be examined. A review of the funding sources for services to people is also needed.

Support for Local Initiatives

While their constitutional subordination and fiscal dependency have militated against their taking a more active role in the formulation of policies designed to achieve major national objectives, municipalities are nonetheless taking the initiative in developing local strategies for economic growth both independently and in cooperation with one another.

National economic development is not simply a matter of federal and provincial policies, but a challenge which municipal governments have both the responsibility and expertise to help meet.

- Municipal economic development efforts should not be viewed in isolation, but as integral elements of a national economic strategy. This "bottom-up" approach should be seen as complementing, rather than competing with, the more traditional "trickle-down" approach.

- Municipal initiatives are in need of substantive encouragement and commitments from central governments. The three orders of government should work together to support municipal efforts and to assist communities to deal with problems impeding economic development.

- Priority should be given to those policies and programs which can best achieve a variety of aims. Projects like capital works that simultaneously pave the way for future economic growth, provide immediate jobs and utilize Canadian-made products are a good example.

- Consideration should be given to creation of a national municipal development fund to enable municipalities to achieve such aims. This will entail reviewing and, possibly, revising a number of existing programs such as the Neighbourhood Improvement Program, the Residential Rehabilitation Program, the Urban Transportation Assistance Program and the Community Services Contribution Program. The focus must be on strengthening programs that are both responsive to local needs and priorities and capable of providing long term assets to the communities in which they are built.

- Priority should be given to developing municipal programs and projects involving joint efforts between the private and public sectors that serve to intensify economic diversification, to create new or expanded markets for Canadian goods and services, to result in plant modernization and to foster research and development activity.

- In general, policies and programs should be designed to reinforce existing strengths. As well, increased emphasis should be placed

on preventive measures — as in health care, crime, infrastructure maintenance — rather than on more costly curative ones.

* * *

In concluding, the submission draws attention to what the Commission has previously referred to as the "following concensus": that Canada must build upon her strengths. This seems to have been taken as referring to our natural resources, to development techniques and to equipment for extracting and processing raw materials.

We concur in believing that we must build upon these strengths, but feel it appropriate to add that we must build as well upon the nation's other strengths -- namely its human resources. These include the institutions we have created and the whole history that lies behind these institutions. Municipal government is among these and we trust that our full capacity to contribute to the well-being of all Canadians will be realized.

INTRODUCTION: The Future Seems Harder to Foresee

Having had the opportunity to review a number of the submissions made earlier to this Commission, we have observed that a good number of Canadians from all walks of life have expressed a sense of confusion, of frustration, over the discrepancy between the promise offered by Canada's wealth of resources, including its peoples' resourcefulness, and the prevailing uncertainty about whether this promise will be fulfilled.

Indeed, forecasts — economic, demographic, occupational -- which seemed only a few years ago to be perfectly reasonable have had now to be discarded. Yet because few of the grounds for these earlier predictions -- the presence of natural resources, levels of education, the rates of immigration, family formation, etc. -- have basically altered, it has become perfectly reasonable to feel disoriented. The prospects should be unremittingly bright; the fact that they are uncertain, that the future may be far less rewarding than was supposed only recently, is undoubtedly responsible for the tone of many of the submissions received by this Commission.

By way of contrast, one could compare them to those received by the Gordon Commission almost thirty years ago: the latter consisted primarily of projections of growth to 1980; today's are almost exclusively analytical and philosophical. There is nothing "right" or "wrong" about this change, rather, it is indicative of radically changed circumstances.

Today's worldwide economic upheaval does not seem to be merely a passing phase. Our economic difficulties and the uncertainty about the future are in large part a function of basic structural changes in the nature of demands for resources, products and services, and and in the means of their extraction, production and distribution.

While this phenomenon is understandably confusing, it can be viewed, as well, as providing a major challenge. In the view of the Federation of Canadian Municipalities, the challenge is to manage the economy so as to ensure that Canadians continue to enjoy a high standard of living, that Canada will return to higher levels of employment and that we can successfully adapt to the requirements imposed by changed patterns of trade and new demands for goods and services. This challenge can be met only by a massive cooperative effort. The future belongs not only to Canada as a nation but to each Canadian. Its problems and challenges must be dealt with by individuals, and by the communities, provinces and regions in which they live, as well as by the nation as a whole.

To meet this challenge successfully, opportunities must be clearly identified and their fulfilment carefully nurtured. This is not something that can be done exclusively by one economic sector or by one level of government. Municipal governments have a significant role to play in this cooperative effort.

In presenting the municipal view of the situation, we will first examine the changes local government has undergone as an institution. This entails looking at what municipalities do, where they have been in the past, the difficulties they face at present and the direction they may be expected to take in the future. Next we will consider the role municipalities can most effectively play in promoting the liberty and well-being of individual Canadians and in maintaining a strong competitive economy. This is followed by an assessment of the likelihood of their being able to fulfill this role. Recommendations oriented to increasing the prospects for success are to found in the executive summary.

WHAT MUNICIPALITIES DO

Municipal claims to being the order of government closest to the people should be taken literally. If, like most Canadians, you showered or shaved or had a cup of coffee this morning, it is highly likely that the plant which made the water potable,the pipes through which it flowed to and from your home and the treatment plant to which it will return are all built and maintained by the municipality in which you live. The streets on which you drove to work or the sidewalks on which you walked or the transit you took are similarly planned, built, maintained and largely paid for by your municipality.

Total expenditures for these and other essential community services totaled almost $33 billion in 1982, representing over 9 per cent of the nation's gross national expenditure. Of this amount, some $25 billion was spent on labour and materials. The annual municipal procurement budget, conservatively estimated at $7.5 billion, is 25 per cent greater than that of the federal government.

The parks in which your children play, the schools they attend, the community halls where you watch them play hockey, the libraries you use, the museums and concert halls you visit and possibly even the local clinic, were all planned, built, maintained and largely paid for locally.

In fact, the very shape of the community in which you live -- as well as its quality and condition -- is largely the responsibility of your local government.

Chances are that the police officer at the corner and the fire-fighters down the street are municipal civil servants, as are those who remove your garbage or plant the trees that shade your streets.

These people (some 287,000 of them) account for almost 25 per cent of all public sector employees in Canada, and their collective salaries total well over $5 billion annually. These figures do not include those employed seasonally or by municipal enterprises, utilities or local school authorities.

PROSAIC BUT VITAL

As governments, then, municipalities provide services to both land and people. They regulate local economic activities and relationships. They make policy and legislate. Perhaps because these activities strike so close to home (which, by the way, if you live in a large city may also have been municipally-provided), they lack the glamour of subjects like high tech or the crisis-orientation of the housing shortage

or unemployment. But while they are rather humdrum, they provide the basis not only for your own personal comfort, but for the nation's economic activity.

Essential services are just that. Without the multitude of facilities and services Canadians take for granted, there would be no trade, commerce or industry. In addition to their direct support of local economic activity and to the employment their operation and maintenance require, their construction creates jobs throughout the nation's economy.

As well, the municipal influence on the pace and volume of construction has long been recognized as having national economic repercussions. Less obvious, perhaps, is the impact of the predominantly local responsibility for services related to quality-of-life issues and for environmental regulation as realized through increasingly sophisticated planning exercises.

Yet it has been shown that the availability of local services and amenities serves as a major factor influencing corporate leaders' decisions to expand within or move to a particular community. To their stock-in-trade of essential services, municipal governments have increasingly added cultural, environmental and recreational planning functions. These contribute not only to the well-being of individual Canadians, but to the nationwide flow of investment dollars.

NATIONAL ISSUES ARE LOCAL ISSUES

The effective delivery of such a multitude of costly and complex services has required that both appointed and elected municipal officials become well-versed in national issues. Although it is certainly true that to provide homes within a single community, planners and politicians have had to become knowledgeable about housing generally and to familiarize themselves with national and provincial programs, concern for such seemingly national issues as transportation, foreign trade, overall demographic and social composition is also demonstrably widespread.

This is well-illustrated by the briefs received by this Commission from communities across the country. Municipalities as diverse as Chilliwack and Winnipeg discussed tariffs at some length, while Ottawa and Thunder Bay explored the need to compete in world markets. Like Ottawa, the Association of Yukon Communities explored over-bureaucratization. National transportation was raised by Fredericton and Charlottetown as well as by a number of prairie communities. Senate reform, the depletion of natural resources, the National Energy Policy and the need to establish means for reducing regional disparities similarly received substantial attention from geographically disparate sources.

In no case were these concerns simply raised in passing. They

were examined in depth, because, like the more obvious examples of unemployment and high interest rates, they directly impact on local communities. None of these subjects is solely national in scope. The problems they cause and the challenges they provide do not exist in some great "out there". They happen in communities and they affect individuals. They also directly affect municipal management decisions; they are of local concern.

It should be equally evident that their impact varies greatly from community to community. Just as the nature of the concern about providing housing is likely to vary between a community with a large stock of old housing and one with stock that is predominantly new, so too is concern about the long term impact of technological innovation likely to vary between a resource-based community like Thunder Bay and a service-based community like Ottawa.

These variations suggest that solutions to the problems arising from these issues -- like pursuit of the opportunities they invite -- should be flexible. Equalizing services and opportunities for all Canadians requires providing different programs to different communities.

In addition, while the submissions suggest that local officials have learned a good deal about national issues, they also reflect a pervasive sense that knowledge of local conditions does not seem to have flowed as smoothly to the national level. Municipal infrastructure is not just a local issue, any more than international trade is just a national one.

BANDING TOGETHER

Thus in the course of fulfilling their responsibilities to their local constituents, local governments are increasingly extending their understanding of national issues while their decisions are increasingly affecting the national economic picture. The former is most overtly manifest in the growing strength of provincial and territorial municipal associations and in the expansion in recent years of the FCM itself. Through these associations, municipal officials are able to exchange information and to establish a common ground for future activity.

The latter is naturally the basis of this submission. We believe that principles underlying the actions being taken by communities to deal with their own economic futures by identifying options, developing consensus and pursuing priorities can serve as a model for the provincial and federal orders of government. Before turning to the role municipalities can play in Canada's future, however, it might be useful to examine briefly some of the ways in which local governments have themselves been changing and at where these changes are likely to take them in the future.

WHERE WE'VE BEEN

Typically, local governments are viewed as the administrators of policies and programs designed at higher levels, rather than as independent sources of legislative initiatives and activities.

In many provinces, for instance, it is taken for granted, that welfare assistance, although mainly funded by federal and provincial governments, is locally administered. By the same token, in most provinces it is deemed appropriate that public health, although a provincial responsibility, will be delegated largely to municipalities for implementation, and that municipal police forces will be engaged primarily in enforcing the federal criminal code and assorted provincial statutes.

It is assumed as well that municipalities will be necessarily dependent for funding on grants provided by the federal or provincial government rather than that the government that spends should be the government that taxes.

Of course, this was not always the case. At Confederation full responsibility for all aspects of a community's well-being was borne by local government and the voluntary sector. Social welfare (such as it was), health care, road construction and maintenance and other matters, even when specifically delegated to other governments -- as in the case of education -- were in virtually all respects the sole responsibility of local institutions.

If any order of government then complained of paternalism, it was the provinces whose revenues and expenditures had not reached even 20 per cent of total government spending by World War I. By that time, municipalities had slipped from taking in and expending just over 50 per cent of all government funds at Confederation (despite the Dominion's having then been 80 per cent rural) to barely twice that of the provincial governments (39½ per cent).

THE BALANCE SHIFTS...

The factors which altered the overall picture (leaving municipalities spending less than 25 per cent of all government funds, not even half of which derived from locally-raised revenues by the mid-1970s) are myriad, but the most salient were the two world wars, the Depression and the automobile.

The first left the federal government with vastly expanded responsibilities and powers, including that of levying a host of new taxes. The second, as is well known, placed many municipalities on

the verge of bankruptcy (their shortfall for relief during the years 1930 to 1937 has been estimated to have been $750 million). The situation could find no local remedy for the very property taxes on which local governments relied were in shortest supply in precisely those communities in which the burden of relief was highest. So the Depression, too, placed new responsibilities and concommitant powers in the hands of the other orders of government.

The third is perhaps something of an over-simplification. Yet by 1930, at a time when municipalities still raised over 80 per cent of what they spent, they were complaining loudly of financial hardships suffered as a result of "the flight to the suburbs" of the day! By then, the responsibility for building roads outside of towns was already being assumed by the provinces -- an exceedingly costly venture for which new sources of provincial revenue were essential.

When these factors are viewed in combination with the enormous changes in technology, population, occupational patterns, management techniques, lifestyles and expectations of the past 70 years -- all of which mean that virtually no problem remains strictly local -- the changed roles of governments become quite understandable.

It was widely felt that the economies of scale that could be practiced at the provincial and federal levels would render municipal government obsolete. So entrenched did the direction of change appear to numerous commentators in the 60s, that many predicted what might be called "a withering away" of local government.

...AND SHIFTS AGAIN

Clearly, however, this has not happened. On the contrary, starting in the late 60s and early 70s, struggles over environmental quality and a host of community planning and other quality-of-life issues have found their main outlet at the local level since it is here that the majority of these are regulated.

At the same time, the urban "problems" which evoked so much hand-wringing in the 50s and 60s (the majority of them a product of American perceptions based on American realities) seem, as though by magic, to have disappeared. Today, people once again value towns and cities sufficiently to commit themselves to making them better places in which to work, live and play.

For their part, municipalities have been moving on their own to achieve broader social aims, particularly in the areas of social services and housing. Provision of rent geared-to-income, non-profit and senior citizen units, for example, is being achieved through municipal housing agencies in many large cities, and by such means as reduced development fees in numerous smaller centres.

Increased cooperation among municipalities is also in evidence. Cooperative purchasing, for instance, is a form of self-help widely practiced in the prairies. In the National Capital Region, 30 municipalities, school boards, utilities and hospitals pool their orders to reduce the cost of typewriters, topsoil, paper, paint and other items.

We seem, in effect, to be coming full circle: from a time when locally-based institutions bore responsibility for all aspects of daily life, to one in which the capacity to fulfill this role had been eroded and therefore largely removed to other orders of government, to one in which people are again viewing local governments and institutions as the most direct and accessible outlet for their most pressing concerns.

This has been manifest, for example, in recent activities concerning such issues as pornography and street solicitation, nuclear disarmament and the maltreatment of political prisoners abroad -- all of which, although they may be outside the legal purview of local government, have been "taken to city hall" because people see it as the place that is most responsive to their concerns.

THE DOWNSIDE

The irony of the situation is that while people may be turning increasingly to local governments because they are the most accessible, they are turning to governments that have been rendered powerless to deal effectively with a large number of the emerging concerns. The avenues to the governments that can deal with these concerns are closed not only to the general public, but to municipalities themselves.

Meanwhile, the present high rate of unemployment is also leading people to turn to municipal governments to provide relief in the form of jobs, retraining programs or, at the very least, time-filling recreational outlets. But because the assessment base of most municipalities has for some years been increasing at a rate lower than that of inflation, and provincial transfer payments have frequently fallen short of the growing cost of operating programs, there is little that can be done.

Instead, local capital expenditures are being reduced as are those for normal maintenance. Far from being able to deal with the new demands being made upon them, municipalities are finding themselves hard pressed to fulfill their mandated responsibilities. Without the financial wherewithal, municipalities cannot provide the physical infrastructure needed to sustain economic recovery. As bystanders in the intergovernmental process, they have difficulty making their own needs or those of their constituents known.

One of the ways in which municipalities are contending with this situation is by strengthening their ties to one another. Membership in both provincial and territorial municipal associations and in the FCM has increased significantly over the past year. "Horizontal linkages" are also being forged by the nation's big cities through the FCM.

The essence of the problem to which these activities are a response is that our present institutional arrangements do not suit either the times or the demands the times are evoking from our citizens.

Both the problem and the response -- particularly in terms of the positive initiatives municipalities are taking with respect to economic development -- are explored below. Suffice to say here that when the aim of providing all Canadians with equal access to services and opportunities could only be achieved by central governments, it was highly progressive for them to assume the responsibilities for daily life that had previously fallen to local governments and institutions.

Today, with 25 cities having a larger population than the smallest province, central governments can no longer be seen as the only ones capable of providing the critical mass needed to achieve the same aims. More importantly, economies of scale can now be recognized as having a downside: there are diseconomies to scale as well. It is unlikely, for instance, that any local government could succeed in pumping the per capita equivalent of $1.5 billion into an airplane that has yet to find a market.

We would submit that the time has come to recognize that economies of scale vary from function to function. While concerns like unemployment, the aging population and technological change may be universal, the particular problems each raises for individual Canadians vary depending on where they live. Solutions appropriate to one locale may be totally inappropriate in others. Responsibilities, and the resources to fulfill those responsibilities, should be allocated among Canada's three orders of government so as to take this into account.

WHERE WE'RE GOING

To some extent, the renewed sense of expectation about what municipal governments should do is a function of widespread changes in modes of communication, sources of employment, patterns of trade and the costs of energy and resource extraction.

As has been suggested since at least the mid-70s*, these factors were likely to contribute to a movement from a production-oriented ethic towards a conservation ethic; to an increasing shift of responsibility for resource development from the private to the public sector with accompanying emphasis on resource management; to an increasing demand for public participation in major decisions in both the public and private sectors; to a tendency to consider major decisions in the context of world situations; and to increasing demands for more decentralization of authority from senior levels of government to metropolitan areas, municipalities and neighbourhoods.

All of these phenomena have been widely evident over the past decade. Many of them have been accommodated in Canada, as elsewhere, by substantial institutional changes. Little has been done here, however, to accommodate the last of them which carries with it the implied suggestion that it will be neccessary to develop new forms of intergovernmental cooperation.

Nonetheless, the trends resulting from the widespread changes cited above seem likely to continue to gain strength in the coming years. In due course, decentralization, the increased demand for public participation and the consequent need for governments to find new ways of cooperating will have particular significance for Canada's municipalities, making them ever more important actors in social and political life.

DEMOGRAPHIC IMPACTS

It will be recalled that our earlier reference to the disquieting aspects of forecasting the future was accompanied by our noting that many of the grounds for earlier predictions -- levels of education, the rates of family formation, etc. -- have been borne out. The influence of many of these primarily-demographic factors is taken into account above. But it is worth noting that a number of them will have highly specific implications for municipalities.

In particular, the growing proportion of the elderly in our population will place increasing demands on health care and transportation services and will alter housing, recreational and educational requirements. The pressure to meet these needs will be placed most directly

on municipalities. In all likelihood, much of the pressure for these new facilities and services will be exerted directly on larger urban centres, while smaller urban and rural communities will feel the impact primarily through the loss of their elderly citizens to larger centres.

Among the other assumptions it seems reasonable to hold at this time are that increased computerization will necessitate signficant retraining of workers, and that this, in turn, will place new demands on education; that continued rises in the cost of energy will both increase regional disparities and contribute to the demand for expanded public transit facilities; that as Canada's communities age physically, the need to replace decaying infrastructure will accelerate.

Although the precise impact of these changes will vary widely from region to region and from community to community, the pressures to meet arising needs will, again, be placed most directly on municipalities. As things now stand, the lack of adequate financial resources seems likely to prove a major stumbling block to local governments' capacity to contend with these pressures.

On the positive side, there are aspects of municipal government that potentially make them better-suited than central governments to cope successfully with the trends we see emerging in the future.

The first of these is their diversity. Often lamented because it has made keeping track of their activities so difficult*, the heterogeneity of local governments will be an asset in handling these widely-varied impacts with the flexibility they will require.

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* In the Royal Commission on Dominion-Provincial Relations, for instance, it is noted that:

> "Even more important than the variations between provincial systems is the great and increasing spread between kinds of municipalities. Metropolitan centres, tiny hamlets, and sparsely populated rural areas are all known as municipalities. It is obvious that their problems must differ greatly in degree and kind. We cannot, in fact, speak of <u>the</u> municipal problem; there are municipal problems characteristic of certain types and classes of municipalities, and problems associated with individual municipalities in special circumstances. The particular revenue, expenditure or debt factors which may be of dominating importance in one case may have little relevance in another, and sweeping generalizations are thus of very little utility."

(This passage was re-cited in the report of the Royal Commission on Canada's Economic Prospects as remaining remarkably true after the passage of 20 years; remarkably, it continues to remain true after almost 45 years.)

The second is the scale of local government. Put generically, as in "unemployment" or "technological change", today's national problems and trends tend to seem overwhelmingly complex. Put in terms of 25 people thrown out of work or the need to retrain 200 people, the same problems and trends are comprehensible and often manageable.

The third is the openness and accessibility of local governments. This will undoubtedly come to be an ever more highly-rated feature of political life as society becomes increasingly complex and demands for participation grow.

The appearance of responsible management -- as well as its actual practice -- is a fourth aspect of local government that is likely to grow in importance for a citizenry cognizant of the restrictions imposed by limited financial resources.

Flexibility, accessibility and responsible management are characteristic of today's local governments. We believe that these traits will gain importance in the future. We also believe that there are additional features inherent to municipal governments which, if they are utilized to their best advantage, will enable them to make major contributions to Canada's future.

FOUNDATION FOR MUNICIPAL ECONOMIC ROLE

Regulatory measures related to land use have been mentioned as one of the spheres in which municipal initiatives affect both individuals and the country generally. It should be mentioned, too, that municipalities have taken the lead in the fields of recreation and culture. The latter has been given extensive attention primarily in larger centres, mainly as a consequence of their having attracted much of the immigration to Canada, some ten million people, since World War II.

But it is in terms of the nation's economic well-being that municipalities could yet make their most significant contribution. As has been indicated, the net effect of each community's influence on the rate of construction and on patterns of local economic development is national in scope. As well, their mandated responsibility for providing the services that support economic activity, and for creating communities with a quality-of-life that attracts investment, gives them a central role to play in generating economic growth.

In terms of their potential to stimulate local development, the same factors that will help municipal governments to cope successfully with changing social patterns will also come into play in their economic development efforts.

In addition, municipal officials' precise knowledge of local conditions puts them in an excellent position to identify specific

economic challenges and opportunities within their own communities, while the expertise they have amassed in fulfilling their responsibility to deliver essential services provides them with the skills to meet and exploit such challenges advantageously.

In the past, municipalities made only modest efforts to utilize this knowledge and expertise. Many have long been involved in land banking for industrial uses. Some local governments did this on their own, while others worked with local boards of trade or chambers of commerce to achieve the same ends. Attracting investment through promoting tourism has also long been a municipal practice.

In some cases, these efforts evolved into highly-sophisticated programs involving extensive physical and economic planning and drawing on the resources of the entire community. In too many cases, however, they have been pursued with the haphazardness often associated with boosterism.

MUNICIPAL ECONOMIC INITIATIVES

Acknowledging that their earlier methods were outmoded, municipal officials are now looking to capitalize more comprehensively on local strengths. In both large and small communities, various types of local economic development authorities are being established. Although the concept of an agency charged specifically with pursuing economic development is not in itself new, the emphasis that is being placed on involving not only the traditional business sector, but also labour officials, educators and community groups is.

Also new is the aim of using these participatory agencies both to determine future growth patterns for the community as whole and to define and achieve social objectives, rather than to simply attract a major investor or two.

In fact, it is existing business, and smaller firms in particular, that are attracting major attention. Small firms account for as much as 80 per cent of all new jobs created in the private sector. Existing firms tend to expand, or to spawn new, small firms in related industries. Both are therefore highly important to job creation. And, especially in smaller centres, both are more manageable.

Because so many communities have attracted a major new industry only to find that the cost of servicing the plant and its employees far outstripped its tax gains, this route has lost at least some of its appeal. It has also become abundantly clear that if a dozen communities vie for the same firm, at least eleven of them will wind up as losers.

Instead, municipalities are concentrating on their strengths as a basis for selecting realistic and flexible targets for medium and

long term development. In describing the mandate of its new Economic Development Corporation to this Commission, Thunder Bay pointed out that its "task is not unlike that facing this Commission, in that our Corporation shares a responsibility to think far into the future, assess the potential impact of inevitable change on our community and chart a positive direction."

ENHANCING PROSPECTS FOR GROWTH

A number of Canada's larger cities, including Montréal, Calgary, Edmonton, Ottawa and Vancouver, have established economic development authorities structured to reflect the political and economic realities of their respective milieus. In 1978, for instance, Vancouver began to work on an economic development strategy to provide a sense of direction for economic expansion in the coming years.

At that time, the City organized an Economic Development Office, which was defined as being "a catalyst in the creation of an industrial/commercial/public environment such that the business sector is strongly encouraged to undertake the projects that will provide a healthy balance both in employment opportunities and the City's tax base."

Since 1980, the City has used this agency to embark on the creation of such an environment, employing an approach that consists of two different but highly interdependent components. The first of these was its own Economic Development Office, which undertook surveys of business requirements for space and personnel, and of the business community's perceptions of the city's future, taxes, labour and other related matters.

The Economic Development Office also provides the necessary support and background information for the second major component, the Vancouver Economic Advisory Commission, a body comprised of about 20 representatives of the upper echelons of Vancouver's academic, business, labour, government and consulting community.

The philosophy underlying the Commission's efforts has been to assume that the City (in conjunction with other public bodies) can enhance its prospects for growth, that the City's chief role lies in promoting a more positive environment for economic development and, above all, that Vancouver should build on its highly individual strengths. It is on the basis of this foundation, in combination with the extensive research provided by its Economic Development Office, that the Commission has built its recommended strategy.* As a result of the nature of the process which elicited its strategy, Vancouver

* The strategy is not provided here as it formed a major portion of Vancouver's own submission.

has the strong support of its business, academic and labour communities for proceeding with its implementation.

JOINT EFFORTS

In addition to their individual efforts, the mayors of Canada's twelve largest urban centres, through their Big Cities Conference, have put together a proposal for "A Three-Year Action Plan Concerning Big City Initiatives & Partnership in Economic Development".

The proposal rests on three key assumptions. The first is that that with 52.9 per cent of the Canadian population dwelling in the nation's nine largest metropolitan regions alone, a major portion of Canada's economic activity -- its commerce, industries, trade, construction and cultural endeavors -- occurs in these centres.

The second is that national economic development is not simply a matter of federal and provincial policies, but a challenge which large urban centres have both the responsibility and the expertise to help meet.

The third is that since the nation's economy is actually a collection of local, regional economies, it is feasible, indeed desirable, for diverse communities to work together cooperatively. Thus, in making the proposal, the communities of the vast hinterlands of the nation's largest centres are included as participants if not as originators. It is assumed, as well, that municipalities throughout the country will be the beneficiaries of the big cities' initiative.

The chief aim of the proposal is to enable communities to zero in on their respective economic strengths so that they can build on them in the future, and to find ways in which they can work together to achieve this goal. To do this requires a data base identifying what communities do well.

Therefore, the first major component of the proposed action plan is to establish a data bank/resource centre. The centre will provide consolidated information about what communities of all sizes are doing in the area of economic development. It will undertake research to determine the nature of the information, techniques and programs that will best facilitate municipal involvement in economic development. Its staff will develop model strategies for use in communities across Canada wishing to initiate economic development programs and advisory services for communities seeking them.

Among the subjects targeted for investigation is the municipal role in economic development in such countries as the U.S., U.K., West Germany, Austria and Japan; the impact of policies and programs of other orders of government concerning taxation, housing and other matters affecting municipal economic development; and the identifica-

tion of key private and non-profit sector actors who can or do involve themselves with municipal economic development strategies.

The second major component of the action plan is to facilitate use of the material collected by the centre by establishing an information network to disseminate data to municipalities of all sizes, to the other orders of government and to the private, academic, labour and non-profit sectors. This will be done through an assortment of publications, meetings, special conferences, seminars and workshops.

The third and major component of the action plan is to implement techniques and programs of direct municipal involvement in economic development in partnership with the other orders of government and the private, academic, labour and non-profit sectors. In terms of their current planning function, for instance, this would entail developing techniques to select infrastructure and public improvement projects that will help to keep or attract businesses.

In terms of their ties to small business, municipalities are seeking to define ways to more effectively encourage investment, assist new firms with their facility, financing and marketing problems and to identify new needs. In terms of procurement, they are looking to find ways of encouraging the purchase of Canadian goods. In addition to expanding on their traditional functions to better attune them to economic possibilities, the proposal suggests placing greater emphasis on the ways in which municipalities can forge new ties abroad in order to develop new markets for locally-produced goods and services, and to attract new investment at home.

* * *

These, then, are some of the directions in which municipal governments have been moving. All of them are oriented to enabling Canada's municipalities to define opportunities for expanding their economic role, particularly in terms of public/private partnerships involving all orders of government, and to assist them in establishing a climate conducive to such partnerships. How far these initiatives may go in their aim of making a substantial contribution to the national economy is explored below.

PROSPECTS FOR SUCCESS

The Commission's terms of reference state that "existing economic relationships among countries and among individuals within a country are characterized on the one hand by increasing interdependence and at the same time by intensified competition."

We would submit that a useful way of thinking about this undeniably true statement is by assuming that the interdependence fostered by the new technologies and economic realities offers a unique opportunity to simultaneously connect the nation's (or even the world's) inhabitants while permitting an increase in political and economic decentralization.

This interpretation assumes that there is a positive value attached to the differences that characterize Canada's peoples, regions and communities. The challenge is to creatively exploit these differences so as to reap material rewards while retaining democratic and cultural values.

To do so, it seems essential to us that all three orders of government work together to strengthen the economic environment while continuing to foster a diverse social and cultural climate. We believe this requires that the processes both of public policy development and of public spending change gears. A concerted effort must be made to capitalize on the capabilities and contributions of each order of government -- their respective strengths and areas of expertise as much as their purchasing power and the direct or indirect employment they create.

WHERE THE PROSPECTS SEEM BRIGHT...

A number of the reasons that municipalities should prove particularly capable of aiding in economic development have been touched on above. These include knowledge of local conditions and experience with service delivery amassed by their officials, and the immediacy and accountability of local government. These factors, although unique to municipalities, are not unique to any one municipality; they are characteristic of all Canadian communities, and could allow any one of them to play a major role in facilitating economic development.

These factors also put municipal leaders in an excellent position to serve as synthesizers or "interpreters" of national goals while respecting local and regional diversity. The latter, it must be stressed, is one of the greatest strengths both of Canada as a nation and of its municipalities. Variety is the essence not only of every healthy ecosystem, but of every healthy economic or political system.

Indeed, since World War II, municipalities have become increasingly important actors in Canada's economic development. Although they remain highly regulated by their provincial governments, they have been delegated a wide range of legislative responsibilities and functions. This, together with rapid urbanization and the necessity for a highly-sophisticated infrastructure, gives them unquestioned importance in the economy.

There is yet another way in which municipalities may play a role affecting the nation as a whole and that is in the international arena. Their knowledge of local conditions, particularly of small business requirements and capabilities, provides municipal leaders with a good foundation for establishing contacts abroad that can open new markets. It is worth noting, too, that a key concern identified by the World Health Organization and other international agencies is with the rapid urbanization of the Third World.

If Canada is to retain its international image as a nation with a conscience about the Third World, it must be able to respond effectively to pressing Third World concerns. In terms of assisting rapidly growing Third World cities to cope with their myriad problems, we believe that Canada's municipalities have much to contribute.

...AND WHERE THEY SEEM LESS BRIGHT

Unfortunately, despite the fact that these attributes seem to provide a basis for believing that municipalities can make a positive contribution to Canada's economic future, there are equally strong reasons for fearing that they may fail to do so. For in addition to the frustrations voiced by many Canadians concerning the discrepancy between the nation's obvious potential and its uncertain future, municipalities, as shown by the vast majority of their submissions to this Commission, are beset by a parallel frustration of their own.

To put it bluntly, municipalities find that the gap between what they are called upon to do and the tools they have been provided with to discharge these responsibilities is growing insurmountably.

Lack of Authority

In Canada, as elsewhere, the overall scope of government has expanded enormously as society has grown larger and more complex. Thus, while the formal division of authority between the federal and provincial governments has been modified only slightly since Confederation, the actual scope of their respective activities has changed considerably, with consequent changes in their relations with one another and with municipal governments, and in the means available to them to discharge their added responsibilities. Nonetheless, for municipalities, the growing complexity of their functions has yet to

be matched by the changes necessary to enable them to perform these functions.

Municipalities have repeatedly sought sufficient fiscal autonomy through access to sources of revenue other than the property tax to finance the demands made on them; sufficient legislative autonomy to permit decision-making in areas exclusively of local concern and to revitalize local government; and sufficient institutional autonomy to modify their own institutions, structures and practices to render them more in keeping with their responsibilities. Yet despite these efforts, they have made little headway.

Municipal financial strain, for example, was fairly closely examined in the Report of the Royal Commission on Canada's Economic Prospects (Appendix I). In exploring the reasons that municipal debt was becoming more burdensome, it was suggested that the main problem lay not in the nature of the property tax, but in the failure to raise the rate of taxation sufficiently to keep pace with the rate of growth generally and with the increase in property values in particular.

In acknowledging that remedying this situation solely by raising property taxes would be politically onerous, the report indicated several possible alternatives that might ease the burden somewhat and keep municipal governments from becoming "steadily more dependent on transfers of one kind or another from higher levels of government". Among these were improved assessment techniques and "devising new and growth-responsive revenue sources" to reduce the property tax work load.

Suggestions for the latter were rather sparse, but did include returning the revenues of a provincially- or municipally-levied motor vehicle tax to municipalities, applying user fees to sewer and water services and, by implication, a review of the range and quality of services governments should be asked to provide. On the whole it was felt that the property tax could be made a "more flexible and more efficient instrument in the hands of local governments."

To varying degrees in different jurisdictions these suggestions have been acted upon. Yet today, the property tax appears hardly more flexible or efficient than it did in the 1950s. In part this may be attributed to the increased burden of responsibility municipalities have assumed since then.

More to the point, however, are two comments offered almost in passing: "...provided no major recession lies ahead, the <u>total</u> municipal debt burden does not as yet appear alarming."; and "When municipal officials complain of inflation, they deserve a sympathetic hearing, for their level of government is probably more painfully affcted than any other by rises in the general level of prices. Their expenditures are quickly influenced, but their revenues can only increase commensurately if overt action is taken to that end."

Admittedly the recent major recession and a decade of rampant inflation have affected all levels of government; the growing gap between what governments are expected to do and the amount of revenue they can raise is not unique to municipalities. But while the same pressures are being felt at the municipal level, municipal governments continue to be tied to the relatively inelastic and regressive property tax for funds they can directly raise. Ever more hard pressed to finance their activities, they have become increasingly dependent on on the other orders of government to meet their expenses.

Because such assistance appears so often to be a form of "charity" given to governments that somehow cannot quite manage on their own, it has become the accepted practice to exclude them from the decision-making process used to determine the targets and amounts available for these expenditures.

Lack of Consultation

This has severe repercussions both for municipalities and for the nation's future. In neglecting to take locally-identified needs into account, the federal and provincial governments are selling Canadians short. Failure to prevent deterioration of existing housing, roads, sewers and other essential municipal systems will result in costly repairs. Failure to ensure that such facilities are adequate to meet the service requirements that will accompany expanded growth will result in a curtailing of that growth.

For municipalities, this neglect has resulted in unnecessary confusion and uncertainty about the very programs designed for their benefit. We can't help but wonder whether if in the midst of construction of a new oil pipeline, the federal government would sit idly by while the line's major supplier of steel pipe went out of business due, say, to a cash flow problem. We suspect not. More likely, hurried meetings at the highest levels would result in the supplier being tided over until the situation improved.

Yet without any prior consultation whatsoever, we have repeatedly witnessed the abrupt alteration or cancellation of programs affecting municipalities, programs to which they have made long term commitments.

Many communities, for instance, were caught by the federal withdrawal from the Land Assembly Program in 1978 with funding support for land acquisition but not for servicing. Many found they lacked sufficient serviced land when housing grants and interest free loans were unexpectedly announced. By the time such land was brought on stream -- at substantial expense -- the grants and loans had often been cancelled. Often, too, this occurred after private developers had expended considerable amounts towards projects they were then unable to complete.

The Community Services Contribution Program (CSCP), which provided assistance for financing sewers and other capital construction for hard services was undoubtedly one of the most useful to municipalities. Yet it was terminated in 1981, at about the same time that municipalities began to cut back extensively on capital expenditures. Likewise, by the time staff had been trained and hired to oversee Neighbourhood Improvement Program (NIP) delivery, that, too, was wound down.

Similarly, a number of Ontario municipalities found themselves unable to utilize New Employment and Economic Development program (NEED) funds* because they were unable to supply the requisite matching dollars. In many cases, these were the very communities the program was intended to assist -- those hardest hit with unemployment.

It should come as no surprise that municipalities complain of lack of lead time for participating in programs, of unanticipated expiry dates, of the "poor fit" of many provincial and federal programs.

Yet all of the problems complained about could have been avoided by prior consultation. Had the time frame for the land assembly and housing programs been established at the outset, communities would have been better able to plan for their use. Had NEED been designed in consultation with municipalities, it could better have coincided with their requirements. Prior consultation might have forestalled the CSCP's termination so that it would not have coincided with high interest rates and capital expenditure cutbacks.

Lack of Good Management

The reason often given for the failure to consult with local governments is that there is no constitutional basis for doing so. As "creatures of the provinces", they lack the mandate to participate in policy and program design or delivery decisions. But the absence of consultation with respect to such programs need not be seen as a constitutional issue. Rather, it is a question of good management.

All governments, like businesses, draw on administrative knowledge and expertise prior to establishing policy. Yet even insofar as municipalities are simply the delivery agents for programs devised by other orders of government, this practice is ignored.

No municipal politician would dream of asking his engineering department to design a road without having first had the engineer look at where it should be located. Municipalities are in effect being asked to build roads without even being informed of -- let alone asked about -- <u>where</u> they are to go!

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* Ontario's version of the NEED program is the Canada-Ontario Economic Development program (COED).

This exclusion makes it very difficult for local governments to deal effectively with today's diverse problems or to plan logically to meet future requirements. It simply does not make sense to split the policy making, program design and implementation phases of government activities in this fashion.

The result is that there are far too many examples of short term, ad hoc job creation programs substituted for a long term plan to invest public funds in capital works that would reflect local priorities and provide a firm foundation for economic growth; too many cases where social housing has been targeted to communities in need of jobs, but not of housing.

The staggering financial and social costs of unemployment have been pointed out repeatedly. Yet while we are paying billions of dollars to people who are ready, willing and able to work to sit in idleness, innumerable socially and economically useful jobs in need of doing to replace, repair and expand municipal infrastructure are left undone.

The fact is that the programs generally rated highest by municipal officials as having proved most effective turn out to have been those which permitted the greatest local flexibility and discretion within clearly established guidelines. These include the CSCP (prior to its termination), the Urban Transportation Assistance Program (UTAP), the Residential Rehabilitation Program (RRAP) and NIP.

All of these made an enormous contribution to the quality of urban life. At the same time, they helped make Canada more efficient by providing the facilities which support economic activity and which are essential if Canada is to remain competitive internationally in industrial, resource and agricultural development.

Lack of Cohesion

These are aims which we believe are shared by all Canadians. We find ourselves at a loss to understand why it seems so difficult to act concertedly on agreed-upon aims.

Much has been said and written in recent years of the growing interdependence of all sectors of society. But this trait is not very well reflected in the relationships existing between the different orders of Canada's governments. On the contrary, changed distribution of powers and responsibilities for both old and new areas of concern between the federal and provincial governments has been marked by instability, conflict and controversy.

It does not seem off the mark to cite former Québec Cabinet Minister Rodrigue Tremblay's observation that the clear impression given to the population is that "open hostility prevails between governments on cer-

tain issues and in certain areas of responsibility, and that they expend as much energy undermining each other's effort as they do promoting the the common good."

As the third order of government, municipalities are caught in the crossfire, unwilling witnesses to a spectacle of political wrangling among central governments which, from the local viewpoint, is the greatest single impediment to a healthy economic future for Canada.

We understand, for example, that a major federal concern with respect to many of the programs mentioned above is that their contribution has not been sufficiently acknowledged. To redress this problem by withdrawing the contribution is like throwing out the baby with the bath water.

Lack of Information

One of the most peculiar aspects of the failure of the provincial and federal governments to resolve their differences or acknowledge local governments as governments is the resulting absence of information about municipal and regional affairs.

It is of national importance that studies such as the one undertaken some years ago by the Ministry of State for Urban Affairs and the FCM on management and planning capabilities in small communities be pursued in the future. It is equally important that we have in-depth reviews of the uses of the property tax and of alternative methods of financing municipal government. Nor would a better understanding of the impacts of federal and provincial programs on local units in terms of subsequent operating and maintenance costs be remiss.

Information on virtually all of the subjects covered in this submission -- the potential of municipal economic development strategies, infrastructure requirements, intergovernmental planning mechanisms, etc. -- is currently inadequate. Neither individual communities nor even the provinces can be expected to overcome these inadequacies. By their very nature, these subjects require national investigation.

The demise of the Ministry of State for Urban Affairs at a time when it was only just beginning to acquire the ability to inject the municipal dimension into policy and program development was extremely detrimental to our ability to wisely establish national goals and priorities.

There remains an undeniable need for an agency charged with responsibility for continually updating our understanding of the national urban scene. It is genuinely amazing -- and as far as we can determine, unprecedented in the Western world --that in a country of this size and diversity such an agency does not exist.

The Last Lack

Municipalities, like individual Canadians, need a larger national context or framework in which to operate. Submission after submission has referred to there being a lack of leadership at the national and provincial levels, to a vaccuum, to the need for a yardstick, for benchmarks. There is a widespread sense, too, that as a nation, we have been shoring up our weaknesses and undermining our strengths.

Clearly these concerns are not limited to municipal officials, or this Commission would not have come into existence. Amongst municipal submissions we note that, as for other Canadians, there is strong support for previously-articulated basic principles. The federal commitment to sustained economic progress, to the reduction of economic and fiscal disparities between regions, to a fair distribution of the advantages and burdens of national development have all been reaffirmed. What is found lacking is a sense of national direction as to how we are to achieve these ultimate aims.

* * *

Despite this regrettable situation, municipalities stand committed to finding ways of using their potential to help promote economic development. While their constitutional subordination and fiscal dependency have militated against their taking a more active role in the formulation of policies designed to achieve this aim, they are nonetheless taking the initiative in developing local strategies for economic growth both independently and in cooperation with one another.

They may even be said to be benefitting from the present economic situation in that while it poses a hardship for everyone, it is spurring local governments to be more innovative in the ways in which services are delivered, and to look more closely at the capacity for mitigating the overall situation. Although caught like everyone else in the problems caused by the unpredictability of markets, the high costs of manufacturing, the effects of new technologies, high interest rates, low productivity and high unemployment, these factors are serving to some extent as a stimulus rather than an impediment to municipal creativity.

There is a definite need, however, for them to work in concert with the other orders of government to establish policies and programs that will result in achievement of shared goals. Projects like capital works that simultaneously pave the way for future economic growth, provide immediate jobs and job-training and utilize Canadian-made products should be a top priority. Individual municipal economic strategies which similarly have multiple objectives should also be encouraged and supported by central governments.

As the representative of the municipal order of government, the Federation wishes to reiterate that we are deeply concerned that the present constitutional and fiscal arrangements do not provide for a strong municipal role in Canada's economic future.

Our most pressing need is to rethink policies and practices that have prevented Canada and Canadians from embracing economic opportunities. To achieve this aim, governments must forge working partnerships that will permit them to establish collaborative, innovative and complementary programs and policies.

FORGING NEW PARTNERSHIPS

Another thing that seems clear about the coming years is that a continuation of the acrimonious or confrontational attitudes that have marked relations between such important actors in the economic picture as labour and management, or provincial and federal governments, will be detrimental to Canada's long term interests.

One does not need to look to Japan, but only to apply home-grown common sense, to recognize that we are in the midst of an historical period in which we will prosper only if there is some degree of cooperation among the various participants.

The appearance of cooperation is perhaps even more important among different orders of government than between the labour, private and non-profit sectors. Talk of the need for these groups to work more closely together to increase productivity and meet the challenges of the future rings hollow coming from governments that cannot themselves cooperate.

Not only is cooperation among governments important for the same reasons as for other interest groups, but because the public sector is in the best position to facilitate cooperation among the other sectors, and, most importantly, because it is its responsibility to do so.

In attempting to play a facilitative role, a clear -- but not necessarily identical -- direction must be agreed upon by all governments. To accommodate differences of point of view and interest while providing leadership, each order of government should strive to do what it does best. Municipal economic development strategies must be viewed as an integral element of national and regional ones. The "bottom-up" process advocated by local governments should be seen as being complementary to, rather than in competition with, the present "trickle-down" approach.

Each order of government possesses strengths and weaknesses with respect to economic progress. Some of these arise from legislated and constitutional factors. Others are a function of such less readily defined aspects of Canadian life as history, tradition and geography.

All of these factors must be brought to bear in developing ways of ensuring economic progress. The long term aim of continued economic expansion can be achieved only if the strengths and weaknesses of each the federal, provincial and municipal orders of government are examined without prejudice, and means devised to overcome weaknesses while capitalizing on strengths.

At the local level, this suggests tasks based on existing skills and areas of expertise not previously exploited. These have been des-

cribed above, although it bears noting again that the considerable experience amassed by local governments in administering programs developed by other governments has not to date been put to use in any highly constructive or imaginative way.

It should be stressed, too, that different communities have different capabilities. Large centres, for example, may make their biggest contribution through the role they can play in planning and working to implement major regional strategies. Communities of all sizes within these regions might well be expected to develop new ways to work out such strategies. At the same time, small and isolated centres should obviously have the opportunity to ensure that the programs intended for their benefit genuinely meet their needs.

At the outset what is most needed is the will to embark on a genuinely consultative process. Only through such a process can the relations among governments and private interests be improved. Only by this means can the diversity of Canadian life be balanced with the desire to achieve a common purpose.

To venture into new relationships and to take on new responsibilities require a willingness on the part of governments to relinquish some of their cherished prerogatives and to forswear some of their more hackneyed rhetorical stances.

While we have spoken primarily of the difficulties arising from current arrangements, it should be pointed out that these often help as well as hinder economic growth. The present situation is already a two-way street, with locally-initiated programs being thwarted or inadvertently advanced from above, while the local economy is greatly influenced by federal and provincial programs that filter downward. Working to bolster the two-way advantages and to overcome the two-way problems requires a better understanding of how the efforts of different governments currently affect one another than is now available.

Finally, we would like to draw attention to what the Commission has previously referred to as the "following concensus": that Canada must build upon her strengths. This seems to have been taken as referring to our natural resources, to development techniques and to equipment for extracting and processing raw materials.

We concur in believing that we must build upon these strengths, but feel it appropriate to add that we must build as well upon its other strengths -- namely its human resources. These include the institutions we have created and the whole history that lies behind these institutions. Municipal government is among these institutions and we trust that in the future its full capacity to contribute to the well-being of Canadians will be realized.

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POOR

QUALITY

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